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TRADE AND DEVELOPMENT BOARD

Twentieth session

SUMMARY RECORD OF THE 590th MEETING

held at the Palais des Nations, Geneva,
on Wednesday, 19 March 1980, at 3.30 p.m.

President: Mr. HYERGES (Hungary)

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The meeting was called to order at 3.40 p.m.

EVALUATION OF THE WORLD TRADE AND ECONOMIC SITUATION AND CONSIDERATION OF ISSUES, POLICIES AND APPROPRIATE MEASURES TO FACILITATE STRUCTURAL CHANGES IN THE INTERNATIONAL ECONOMY, TAKING INTO ACCOUNT THE INTERRELATIONSHIPS OF PROBLEMS IN THE AREAS OF TRADE, DEVELOPMENT, MONEY AND FINANCE WITH A VIEW TO ATTAINING THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER AND BEARING IN MIND THE FURTHER EVOLUTION THAT MAY BE NEEDED IN THE RULES AND PRINCIPLES GOVERNING INTERNATIONAL ECONOMIC RELATIONS AND UNCTAD'S NECESSARY CONTRIBUTION TO A NEW INTERNATIONAL DEVELOPMENT STRATEGY FOR THE THIRD UNITED NATIONS DEVELOPMENT DECADE (agenda item 3) (continued)

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1. The PRESIDENT announced that in the absence of a quorum he was regretfully obliged to suspend the meeting.

The meeting was suspended at 3.45 p.m. and resumed at 4 p.m.

2. Mr. JOSKO (Poland), speaking on behalf of the Group B countries and Mongolia, said that developments in international economic relations since the nineteenth session of the Board confirmed that the major trends described by the socialist countries in document TD/249 submitted at the fifth session of the Conference were continuing to determine the course of world economic events. The world capitalist economy was clearly undergoing an acute structural crisis various aspects of which had been mentioned by the Secretary-General of UNCTAD at the 528th meeting and were also reflected in document TD/B/703. It was that crisis which was to a large extent responsible for the deepening discrepancies in economic development levels between the developing and the industrially-advanced countries and among the developing countries themselves, and also for the serious situation of the least developed countries. There was, at the same time, a crisis in the world trading system, for elements of risk and uncertainty had been introduced into the normal operation of trade relations by the further increase in protectionist barriers raised by the developed capitalist countries. Furthermore, the existence of discriminatory barriers to trade and the recent introduction of new barriers had impaired the climate of confidence that was so necessary in trade and economic relations, and they were casting a shadow over the future of those relations. Both the present and the foreseeable future situations were therefore viewed by the socialist countries with concern.

3. Those countries had repeatedly drawn attention to the real reasons for the prolonged crisis in the world capitalist economy and they had pointed out the deficiencies in current international economic relations. They had put forward concrete proposals for a restructuring of those relations and had supported the constructive proposals made in that respect by the developing countries. Unfortunately, not one of the goals stated in those proposals had been achieved. The socialist countries believed that UNCTAD, as the principal world economic institution concerned with the examination of trade and development problems and the finding of appropriate solutions, must play an important role in that respect. It should more actively pursue its principal functions as set forth in General Assembly resolution 1995 (XIX) and, given its important future role, it should focus attention more particularly on the elimination of discrimination in trade and control of the activities of multinational enterprises in world trade, including the commodity markets and commodity sectors of the economies of developing countries. UNCTAD should keep trends in world trade and the world economy under constant review and decide how it could best contribute to the emerging situation. Such an approach would not prejudice, but would in fact facilitate, action taken elsewhere.

4. The Group I countries were pleased to note some progress in UNCTAD activities in certain areas, which the Secretary-General had mentioned, but they could not overlook a deterioration in the organization's effectiveness, which was due, they thought, to contradictions in the nature and direction of the solutions sought. They doubted, for example, that the steady proliferation in UNCTAD of groups and gatherings dealing with selected aspects of international economic relations was always productive, particularly if they diluted the Board's responsibilities and diverted its attention from a global analysis of the crucial problems. The delegations for which he was speaking trusted that the Board would succeed at the present session in coming to grips with the real problems and they were ready to join others in an effort to that end.

At the request of several delegations, the meeting was suspended at 4.25 p.m. and resumed at 4.40 p.m.

5. Mr. ARAUJO (El Salvador), speaking on behalf of the Group of 77, said that the substantive items on the Board's present agenda concerned matters which reflected many of the basic concerns of the international community at present and in the longer term. They also reflected the main problems facing the developing countries in international economic relations and also problems of vital concern to the developed countries, having regard, in particular, to the links between their present economic difficulties and the basic structural imbalances in the present international division of labour and international trade, monetary and financial system.

6. It was generally recognized that the International Development Strategy for the First and Second Development Decades had not achieved its main objectives: the gap between developed and developing countries had not been narrowed and the growth process and the achievement of the long-term growth potential of the world economy as a whole were running into difficulties mainly caused by the current distortion of the world economy. The limitations of international economic policy in the context of the present system of international economic relations were evident and the inequality and imbalances inherent in the operation of the international economic system were a serious obstacle to the developing countries' progress.

7. Recognition of the need for fundamental reforms in the world economic structure and in the institutional framework of international economic relations had led the General Assembly in 1974 to adopt the Declaration on the Programme of Action on the Establishment of a New International Economic Order. In that connexion it had become clear that [illegible] in the form of [illegible] or voluntary transfer of resources from developed to developing countries in the existing institutional framework of international economic [illegible] proportion to the system which made such [illegible] necessary. [illegible] in the goals and objectives of the new international economic order (NIEO) [illegible] fundamental restructuring of [illegible] Evaluation of the progress [illegible] the NIEO objectives was one of the main substantive [illegible] the [illegible].

8. The developing countries [illegible] progress made so far towards the [illegible] institutional changes called for in the Programme of Action. [illegible] United Nations system had [illegible] progress towards attainment of the NIEO objectives, but without significant results. Greater political will was needed on the part of the developed countries.

9. The fourth session of the Conference had initiated the start-up of negotiations in several others - the Integrated Programme for Commodities and the Common Fund, the Code of Conduct on the Transfer of Technology, the establishment of acceptable rules and principles to govern restrictive practices - in order to give specific form to some of the [illegible] of the new international economic order. Since then, however, there had been serious [illegible], particularly among the developing countries, with the [illegible] of the negotiations, which was mainly due to the [illegible].

10. One small group of [illegible] countries, however, had not only [illegible] and appreciated the gravity of the situation, but had taken certain positive, mainly quantitative, steps and [illegible] to [illegible]. The Group of 77 appreciated their [illegible], but [illegible], and the fact that it could be extended to [illegible].

11. Nevertheless, the [illegible] provided [illegible] would not in itself suffice: it would [illegible] the [illegible]. Progress in [illegible] important aspects of international economic [illegible] with the intention for the start of a new, more positive [illegible] - [illegible]. The measures complementary to the [illegible] at the fifth session of the Conference and the launching of the new [illegible] Development Strategy offered the international community [illegible] to [illegible] from towards the NIEO targets and [illegible] - [illegible] reality.

12. The international economic [illegible] in the final years of the 1970s. The developing countries, [illegible] were more vulnerable to external factors, had been most affected by the persistent [illegible] with [illegible] structural disorders, unprecedented [illegible], and [illegible] fluctuations and [illegible]. The [illegible] of the [illegible] in the development process [illegible] had [illegible]. Only [illegible] the international economic system could not provide [illegible] the developing countries' efforts at [illegible]. The developed countries' [illegible] had further

international economic system in the interest of all groups of countries. Fundamental changes would have to be made in the mechanisms, systems and structures currently governing economic relations between the developing and the developed countries.

17. Three changes were particularly urgent in those already existing areas. First, trade reforms were needed in the framework in which international trade was conducted, as well as an intensification of efforts to restructure commodity markets and trade. Secondly, action should be taken to reform the international monetary system, in the context of the new international economic order. The developing countries continued to suffer from the deficit which was exported to the developing countries, owing to the use of certain currencies as reserve currencies. Reform of the international monetary system must ensure that inflationary pressures are being offset, greater stability is maintained in exchange rates and provision for greater participation by the developing countries in the decision-making of the International Monetary Fund and in monetary matters in general. The relevant international agreements must be implemented without delay, as reflected in General Assembly resolutions 3201 (S-VI), 3202 (S-VI), 3362 (S-VII), 3363 (S-VII) and decision 242 (XVI) of the Board. Thirdly, the developing countries must strengthen economic relations among themselves in the spirit of collective self-reliance.

18. The Group of 77 attached great importance to the question of the negative effects of the reverse transfer of technology. Strengthening the technological capacity of the developing countries ought to entail a broad multilateral approach by all members of the international community and of the developed countries in particular. The establishment of the new international economic order would help to the elimination and the conclusion of such unfair arrangements.

19. In connexion with international transport, structural changes were needed in order to give the developing countries a greater share in the carriage of goods in international trade, so that their disadvantageous foreign exchange costs could be reduced to a minimum.

20. In the context of restructuring the international economic framework, there were two matters which called for special attention at the present session of the Board. One concerned the establishment in UNCTAD of suitable machinery for ensuring that the developed countries' commitments in the various spheres of trade, money and finance were compatible with the internationally agreed long-term development objectives and the restructuring of international economic relations. The other concerned the new formulation of the rules and principles governing international trade and monetary and financial relations.

21. In that connexion a large number of proposals had been submitted in a number of important sectors, proposals which, if they were adopted by the international community, would result in real progress towards achievement of the new international economic order. There was profound dissatisfaction with the measures taken so far by socialist countries to implement their commitments under resolution 10/3 (S-IX). Despite certain signs given by a few socialist countries in the period since the Board's ninetenth session, there was still a lack of political will on the part of many of the major socialist countries to fulfil their obligations.

22. The developed countries which had granted concessions on a discriminatory basis had violated the spirit of part A of resolution 165 (S-IX) and had ignored the understanding reached on the meaning of the term "the poorer developing countries". Since debt relief measures were indirectly linked with the credibility of the new features of debt reorganization, it was to be hoped that the goodwill of the majority of the developed countries would find full expression vis-à-vis the debtor countries referred to as the poorer countries in resolution 165 (S-IX).

23. The Group of 77 attached great importance to the provision of adequate funds for the implementation of resolution 109 (V) on assistance to the national liberation movements of Namibia, Palestine, South Africa and Zimbabwe.

24. If the concept of international co-operation for development was to regain credibility and the developing countries were not to fall back on themselves and pursue an autarchic form of development, causing a dangerous dislocation of the international economy, the developed countries must show enough political will to start serious negotiations for the establishment of the new international economic order.

25. He welcomed the fact that an important Commission set up to examine the world's economic and social problems, which had just completed its work, shared the concern of the developing countries. He hoped that the developed countries would realise that their own survival was at risk and that it was as vital for them as for the developing world, to avert the stormy future that loomed ahead. He agreed with that Commission's view that the search for solutions was not an act of benevolence but a condition for mutual survival.

26. Mr. SAI (China) said that, looking back over the 1970s, it could be seen that the struggle against imperialism, colonialism and hegemonism had developed in the international economic field. Pursuant to the principles of the Declaration and the Programme of Action adopted at the sixth special session of the General Assembly, the developing countries, in order to safeguard their sovereignty, develop their national economies and oppose exploitation, plunder and monopoly in the fields of international trade, money and finance, technology, shipping and in other important areas, had made tremendous efforts to end the old international economic relations and to establish a new international economic order. He was sure that those efforts would be further intensified and that new victories would be won in the 1980s.

27. Since the fifth session of the Conference the progress of all the negotiations initiated had been limited and the results hoped for had not been obtained. Key provisions of the draft articles of agreement on the Common Fund were still under discussion, negotiations on individual commodities were, with a few exceptions, at a standstill, many difficulties had been encountered in the negotiations on rules regarding restrictive business practices, and agreement had not yet been reached on the proposed code of conduct on the transfer of technology or the convention on multimodal transport. The debts of the developing countries were mounting continuously, their trade position was further deteriorating, their purchasing power was declining and their exports of manufactures were being adversely affected by protectionism. The inequities and imbalances of the existing international economic relations constituted a major obstacle to the development of the developing countries. As for the developed countries, their economies were stagnant and they were still experiencing serious inflation and unemployment.

28. Thus the old economic structures were not only impairing the economic development of the developing countries, they were also hampering the recovery and development of the world economy. The adoption of practical measures for accelerating the establishment of a new international economic order was therefore not only necessary for the solution of world economic problems but also highly important for the maintenance of world peace and stability.

29. UNCTAD was an important forum for dealing with world economic issues and it should play a more active role in promoting the establishment of the new international economic order. It should complete its negotiations on the Common Fund, the code of conduct on the transfer of technology and the rules regarding restrictive business practices before the forthcoming special session of the General Assembly, and it should also take effective follow-up action on protectionism and on the rationalization of UNCTAD machinery. Complete reform of unequal and unfair economic structures was an important step towards the establishment of the new order, and discussions should therefore be held first on the interdependence of trade, development, and money and finance, so that the policy measures taken by the developed countries could be adapted to the economic development objectives of the developing countries. That was a much-discussed subject on which consensus had not yet been reached. It constituted the first step in bringing about structural change. The negotiations within UNCTAD were closely related to the global negotiations which were to be held in the autumn in New York. The two should be co-ordinated and mutually complementary and should contribute to settling the problems of North-South economic relations.

30. The developing countries needed a peaceful international environment for the smooth development of their national economies. Foreign aggression, expansion, control and occupation must therefore be opposed. At present it was especially necessary to oppose the aggression and intervention of that super-Power which proclaimed itself a "natural ally". His country had always advocated that political and economic relations among all countries should be based on five principles: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in the internal affairs of other countries, equality and mutual benefit, and peaceful coexistence. In striving to establish a new international economic order, the developing countries and all countries which stood for justice should unite to oppose monopoly, control and hegemonism and to maintain world peace. His delegation was willing to join with all other delegations in seeking solutions to the present international economic and trade problems.

31. Mr. GLOVER-AKPEY (Ghana) said that his delegation fully supported the statement made by the Co-ordinator of the Group of 77.

32. Referring in particular to agenda item 6, he stressed that there was a sense of great disappointment at the limited scope of the measures taken so far to implement Board resolution 165 (S-IX). Although the obligations assumed in that resolution were one of the most outstanding international commitments in the history of UNCTAD, some major creditor countries had not yet fully expressed their political will to implement the resolution. He emphasized that creditor countries which were granting debt relief on a discriminatory basis were in contempt of the resolution and were reneging on the understanding which had been reached. The goodwill with which part A of the resolution was interpreted and fully implemented in the future would help to convince the Group of 77 that faith in whatever understanding finally emerged on part B would not be misplaced; hence the disappointment felt at the lack of concerted efforts by the developed countries to resolve the problem of the international indebtedness of developing countries. The Secretary-General of UNCTAD

had called attention to the rapidly deteriorating financial situation of the developing countries in the continuing world crisis and document TD/B/783 provided alarming information on the growth rates and current-account deficits of the non-oil-exporting countries and of the least developed countries in particular.

33. There was therefore an urgent need swiftly to increase the flow of official development assistance (ODA). He would like to see the possibility of an immediate increase in ODA disbursements, especially from multilateral institutions, or an increase in programme lending disbursements to needy developing countries, but the Chairman of OECD's Development Assistance Committee had stated that while the DAC aggregate flow was likely to rise somewhat in 1979 and 1980 in absolute terms, that would probably not be enough to affect the ODA/GNP ratio significantly.

34. One measure which would immediately increase the flow of ODA on desirable terms would be full implementation of the retroactive adjustment of terms as envisaged in resolution 165 (S-IX). While his delegation appreciated the action already taken, it felt that the efforts so far could not be considered an adequate response to the agreement included in part A of that resolution. Action must be extended to cover the ODA debt of all the poorer developing countries mentioned in the resolution, without discrimination on any ground. Only such implementation would be consistent with the spirit of the compromise reached at the Board's ninth special session. He therefore called upon creditor countries which had not yet done so to take the necessary steps as rapidly as possible.

35. He proposed that the Board should keep the matter under continuous review, and place it, as a priority item, on the agenda for its twenty-first session. In order to facilitate the Board's deliberations, the Secretary-General of UNCTAD should be requested to assess the measures taken by developed countries and submit at that session a report containing his own conclusions, as well as recommendations for further appropriate relief action. Developed countries and appropriate multilateral institutions should be requested to co-operate fully with the Secretary-General in the preparation of that report by providing all required information.

36. Referring to part B of resolution 165 (S-IX) he pointed out that the Group of 77 had already made concrete proposals which were contained, inter alia, in draft resolution TD/L.196 and had more recently been reiterated in a report submitted by the Group of 77 at the eleventh special session of the Board. The Group of 77 attached importance to a satisfactory solution regarding the detailed features for future operations relating to debt problems and the institutional arrangements to oversee them, including an international debt commission. As in the past it was ready to participate, with an open mind and a constructive attitude, in negotiations with other groups.

37. With regard to the situation of the least developed among the developing countries, he noted that some useful work had been done recently by the Intergovernmental Group dealing with that subject and he strongly urged the international community to bring the issues in the Group's report to the attention of the various authorities, so that measures to achieve the proposed objectives might be expedited.

38. Mr. HWAISH (Iraq) said that the solution to the problems of the world economy must be based on a restructuring of the international division of labour. The Declaration and the Programme of Action on the Establishment of a New International Economic Order saw international development as a question of interdependence between the developed and the developing countries, and the possibility of providing financing for developing countries therefore did not absolve the developed countries from their other responsibilities. The figures for aid furnished by OECD and OPEC countries in recent years showed that, proportionately, the assistance effort made by the latter group of countries was much higher. He drew attention to the fact that the OPEC countries had proposed the establishment of a fund, financed by all surpluses arising from price increases, for the benefit of the developing countries. Under that proposal all increases in the price of manufactures would accrue to the benefit of the developing countries, and that would open up new horizons for co-operation between the developed and the developing countries.

The meeting rose at 6.05 p.m.